



# As Afghan Men Go to War, Women Emerge in World of Work

By William J. Eaton  
Los Angeles Times Staff Writer

KABUL, Afghanistan — Modern women are emerging from behind the folds of the traditional chador and joining the ranks of the workforce.

The chador, the head-to-toe covering with an opening for the eyes, is still common in evidence in the villages of Afghanistan, but in Kabul it is worn much less than it was a decade ago.

The gradual decline of the garment is regarded as a sign of modernization on the part of the Afghan government, which is striving to overcome a legacy of poverty and illiteracy. Besides scores of thousands of young men in uniform in this seventh year of a guerrilla war, women are needed in the military and the labor force.

Thousands of women have taken up arms against the rebels, and even some village women have taken factory jobs.

Changes in the status of women have been going on since the overthrow of the monarchy by the Soviet-backed coup of 1978. The revolution has become one of the proudest boasts of the revolutionary leadership.

ers, who say women have been freed from the feudal conditions that kept them subjugated and unable to acquire an education or work outside the home.

Still, only a few women have achieved any political standing, and there is an angry backlash when the government tried to make literacy training compulsory for women, as it is for men.

In schools, the ratio is still two boys to one girl, and this illustrates the tendency of many parents to keep their daughters home.

Afghanistan's literacy rate, a shocking 10 percent before the 1978 revolution, has increased slowly to 30 percent, officials recently told a group of visiting reporters. They said this is far too low, and literacy training has one of the highest priorities in the government's five-year plan.

Before the revolution, these officials said, only about 2 percent of the women could read and write, now more than 8,000 women are being taught.

The number of women in industry has multiplied by a factor of five, as officials

policy has prevailed over conservative religious beliefs.

Harage Begom's experience is an example of what is taking place. She operates a concrete-pouring machinery and oversees cranes in a Kabul factory that makes prefabricated housing, earning 2,700 afghanis a month, about \$20 at the unofficial exchange rate. She began working at the age of 9, as a seamstress, and took the factory job six years ago when she was 16.

In Jalalabad, a new oil factory has hired women for factory work for the first time in the history of the province. Factory director Hakim Baburi said there are 200 women on his payroll. He said that they are not allowed to work past 8 p.m. and that special arrangements have been made to care for their children.

Amoudoddin Sayed Amin, a government official who was once president of the Afghan Textile Co., said that there were no women in the firm's four plants in the late 1950s, but that now half the jobs in the spinning department are held by women.

"In the next 10 years," he said, "women will be running the textile factories."

The new leader of Afghanistan, Najib, recently singled out women for special notice in a speech on building up military effectiveness. "Afghan girls," he said, "the army needs your sympathetic and kind hands. Nurses and doctors are needed to help the brave and heroic soldiers."

An estimated 8,000 women are already serving in village militias, called self-defense groups. They are taught to use weapons, officials said.

Political power is another matter, apparently. Only one woman, a longtime close associate of Babrak Karmal, the former leader, is a member of the Politburo of the ruling People's Democratic Party. She is Dr. Anahita Ratebzad, a former nurse in Chicago, who was the first woman elected to Parliament in her country.

"We have to learn a lot to be able to improve the lot of our women," she said in a recent speech. "This requires a deep understanding of the traditions cherished by our people in order to be able to work among them."

She said the government's literacy training is "not quite satisfactory" and called for more classes in residential neighborhoods and in the countryside, where the need is greatest.

About 10 percent of the 15,000 members of the ruling party are women. At a recent meeting of the National Front, a coalition of mass organizations supporting the regime, only one woman was on the podium with the dozens of men there.

An East German woman, a technician working in Jalalabad, recently urged faster progress. In a talk with an Afghan government official, she said: "You're a thousand years behind in some ways. There's no time to lose."

The official agreed. "We need a cultural revolution," he said.

Meanwhile, at the national handicraft exhibition, 34 women were hand-loomed a rug that will eventually measure 300 square yards when it is finished.

The work moves along at the rate of two square inches a day across its width.

The women calculate that it will take them 18 months to finish — suggesting that they, at least, have a great deal of patience.

## WORLD BRIEFS

### 3 Are Killed in Chilean General Strike

SANTIAGO (Reuters) — A 13-year-old girl on a family errand was shot to death by Chilean soldiers on Wednesday, raising to three the number of persons killed in the first hour of a two-day anti-government protest. Police sources and witnesses said.

One witness told a local radio station that soldiers began shooting a demonstrator in southern Santiago and the girl was hit in the stomach and the leg. She had gone out to buy bread, the witness said.

A wave of bombing hit the capital and other cities as President Augusto Pinochet sent troops onto the streets to counter the opposition call for a 48-hour stoppage to press for a return to democracy.

### U.S. Missile Failure Laid to Insulation

WASHINGTON (UPI) — The explosion in April of a Titan 34 rocket shortly after takeoff was probably caused by insulation failure near a joint of the solid rocket motor, the air force said Wednesday.

"This was a real surprise to us," said Brigadier General Lindsay, who headed the investigation. "We believe the cause of the mishap was a failure in the thermal insulation in a segment of one of the two solid rocket motors. The rubber insulation most likely seeped from the steel rocket motor case, allowing damage by the propellant combustion products."

The Titan, a backbone of the U.S. rocket inventory, exploded nine seconds after ignition of the two solid-rocket motors, when the rocket was 800 feet (about 240 meters) above the launch pad.

### China Set to Mend East Europe Ties

BEIJING (UPI) — China made clear Wednesday that it was ready to end its 20-year freeze in Communist Party relations with Soviet allies and Eastern Europe, even though Beijing's relations with Moscow remain at a standstill.

In one of the clearest overtures yet to Warsaw Pact nations, a Foreign Ministry spokesman, Yu Zhongzong, said there were "no difficulties" in the way of party-to-party ties with nations of Eastern Europe.

China severed party, but not diplomatic, ties with East European nations in the mid-1960s. Since then, it has restored party relations with Yugoslavia and Romania.

### Iran Retakes Border Town From Iraq

NAMAMAH, Bahrain (Reuters) — Iran recaptured its border town of Mehran on Wednesday from Iraqi troops who occupied it six weeks ago, the border said.

Iran said its forces had pulled back to the border after a two-day desert battle in which Iran reported more than 2,500 Iraqi casualties and the capture of at least 500 prisoners. Iraq did not report casualty figures. The message "Mehran Liberated" was flashed by the Iranian news agency IRNA and was followed within an hour by a statement from an Iraqi military spokesman that said the Iranian army managed to enter the Iranian town of Mehran and our force withdrew to international borders.

Mehran, which has been abandoned by civilians, is 65 miles (10 kilometers) southeast of Baghdad and in the southwestern sector of Iraq. Iraq seized the town for the second time in the six-year war. May 17 in a cross-border offensive after failing to recapture the southern tip of the Faw Peninsula from Iraq. Iran has occupied that area since February.

### British Jeweler Held in Gold Robber

LONDON (UPI) — The police arrested a British jeweler upon arrival from Brazil on Wednesday for questioning about a \$30-million gold bullion and diamonds robbery that was the biggest in British history.

Mr. Palmer, 39, was arrested as he stepped off a flight from Rio de Janeiro at Heathrow Airport. He was wanted for questioning in connection with the robbery near the airport in November 1983 of about the value of gold and a quantity of diamonds from a warehouse belonging British-Mad Ltd. After the robbery, the police found a snail-mail note Mr. Palmer's home. Two men have been sentenced to 25-year prison terms and a guard was sentenced to six years. Little of the gold has been recovered.

Mr. Palmer was detained Saturday in Rio de Janeiro after arriving from Tenerife, in the Canary Islands, where he had been living for 10 months. He was traveling on an outdated passport and volunteered a return to London.

### For the Record

Several kilograms of radioactive liquid uranium leaked Monday night from a pipe in the Eurochem uranium enrichment plant near Valence, in southeastern France, but the material did not escape from the plant as no one was contaminated, operators said Wednesday.

A Jordanian student who is related to alleged guerrillas has been arrested in Genoa and charged with being a member of an armed band police sources said Wednesday. The said Avioli (sic), 25, was cousin of one of the men in the bombing of a Berlin discotheque and in a false attempt to bomb an Israeli airliner in London.

Members of the Economic Community of West African States agreed Tuesday at a summit meeting in Abuja, Nigeria, to allow their citizens live wherever they wished within the 16-nation group.

Seven fishermen were killed and 13 were wounded Tuesday when a 50-ton fishing boat opened fire on fishing boats off the north coast. The boat is restricted to hammer travel to India by Tamil insurgents.

A U.S. district judge in Tucson, Arizona, has suspended sentences against five church workers convicted May 1 of taking part in a conspiracy to smuggle Latin American aliens into the United States.

The president of the International Olympic Committee, Juan Antonio Samaranch, held news talks Wednesday in Lausanne, Switzerland, with North and South Korea on a possible limited sharing of the 1988 Summer Games.

### Correction

An article Wednesday about a New York Times-CBS News poll on attitudes toward immigration misstated one finding. Of those surveyed, 42 percent said immigration should be kept at present levels or increased.

### DOONESBURY

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OH YOU MEAN THE NEWS!

YOUR CIVILIAN SON IS A NEWS? ARE NEWS?

NO OFFENSE, BUT I WOULD HAVE SAID YOU ARE PEOPLE?

### COURT: Sweeping Support of Affirmative Action

(Continued from Page 1)

Chief Justice Warren E. Burger and Justice Byron R. White and William H. Rehnquist, in upholding a prohibition on casino gambling advertisements in Puerto Rico, appears to have removed the legal obstacles to banning advertising for cigarettes and alcoholic drinks.

The 5-4 decision Tuesday, written by Justice Rehnquist, said that products or activities such as cigarettes, alcoholic beverages and gambling are not entitled to the same level of protection and could be banned or heavily regulated.

"It would surely be a strange constitutional doctrine," he said, "which would concede to the legislature the authority to totally ban a product but to deny the legislature the authority to reduce demand by banning advertising."

The ruling appeared to be a marked departure from a decade-long trend by the justices to expand the First Amendment rights of businesses and to strike down state laws restricting advertising.

So-called commercial speech generally has enjoyed more First Amendment protection than other forms of speech, such as political expression.

Justice Brennan, in dissent, said that "having decided to legalize casino gambling, Puerto Rico's decision to ban truthful speech concerning it is a blatant attempt to raise serious First Amendment problems."

The case involved a hotel that was fined \$1,000 by the island tourist board for violating the Games of Chance Act of 1948. That law prohibited casino gambling to protect tourism but barred casino advertising on the island. The hotel said the fine violated its First Amendment rights, but Puerto Rico's highest court upheld the law.

"We have no difficulty in concluding," Justice Rehnquist said, "that the Puerto Rico legislature's interest in the health, safety and welfare of its citizens constitutes a 'substantial government interest' outweighing the First Amendment interests of the casino owners."

Lawyers on each side of the smoking issue said the ruling, in the *Puerto Rico Associates vs. Tourism Company of Puerto Rico*, probably would spur efforts in Congress to ban cigarette ads.

Civil liberties lawyers said they were disappointed by the court's opinion because the broad language used seemed to be a signal that bans on not only cigarette ads but on other activities or products would easily pass constitutional muster.

In another decision Tuesday, the court unanimously ruled in *Bazemore vs. Friday* that employers must correct "infringing effects" of job discrimination, even if that discrimination occurred before federal civil rights laws were enacted.

The case involved the North Carolina Agricultural Extension Service, which had maintained dual pay scales for white and black extension agents.

A federal appeals court said the state did not have to eliminate current pay differences that were the result of discrimination before 1972, but Friday that employers must correct "infringing effects" of job discrimination, even if that discrimination occurred before federal civil rights laws were enacted.

The Supreme Court, in an opinion by Justice Brennan, sharply criticized the appeals court's analysis and overturned the ruling.

### TRADE: EC, U.S. Set Farm Truce

(Continued from Page 1)

of entry into the community on Jan. 1, raised tariffs on, or restricted, imports of U.S. corn, sorghum, oilseeds and grain.

The United States charged that the moves violated GATT rules and could mean more than \$300 million in lost sales to American farmers. It demanded that the EC lift the restrictions or pay compensation for the lost sales, and that the United States be allowed to retaliate with a similar array of EC farm exports, including pork, cheese, wine, beer and chocolate.

In April, the two sides reached a truce over access to the Portuguese market of American grain and oilseeds. The United States set a July deadline for settlement of the dispute over corn and sorghum exports to Spain.

Under Wednesday's agreement, during the next six months, the community will review imports of American corn, sorghum, corn gluten feed, brewers grain and citrus pellets into Spain.

If Spanish imports of the five products total less than 234,000 tons a month, the EC will allow the difference to be made up by reducing the tariff on the products. If the figures reflect the average U.S. exports of corn and sorghum to Spain last year, the reduced tariff is expected to benefit the products more attractive to buyers.



Willy de Clercq

rioting at the European Cup soccer final on May 29, 1985, a Justice Ministry spokesman said, 30 persons were crushed to death in the violence.

Press Photographer Seized

A free-lance photographer working for Agence France-Presse in Cape Town was detained on Wednesday under the emergency regulations, the agency reported Tuesday that 226 union members were being detained.

Reporter to Be Expelled

A West German television reporter said Wednesday that South Africa had rejected his appeal against expulsion and that he would leave the country on Thursday. Reuters reported from Johannesburg, Heinrich Butgen, a correspondent for the ARD network, said he would be the fourth foreign journalist expelled under the emergency decree.

### MOLOTOV: Resurfaces in Press

(Continued from Page 1)

yard in front of the house by the host. He was leaning on a walking stick.

"On learning that I am a journalist," the reporter wrote, "he said jokingly: 'It must be a dangerous thing to do with you,' and greeted me with a smile."

Mr. Molotov said he got up at 6:30 A.M. He did 20 minutes of exercise and then walks in the forest for an hour. He reads the newspapers, rests for two hours and then spends six hours reading books, the paper said.

"I keep abreast of all events," he said. "I am inspired by the change of place and the change of people. It's a pity that my age and health prevent me from taking an active part in it."

This comment was an apparent endorsement of the policies of Mikhail S. Gorbachev, the Soviet leader.

Mr. Molotov said that he used to browse through Molotov's book shop, but an aching leg prevents him from doing so now.

"My daughter Svetlana and her husband Andrei Kozlov help me out," he said. "They are both historians."

Mr. Molotov, who said that he received a large pension, said his grandchildren and their children visit on Saturdays. "They even, thing goes back to life around me," he said. "I am not too far from me either."

He friends at Lenin's side to build the revolution and aligned himself with Stalin after Lenin died.

From 1939 to 1941 he was both prime minister and foreign minister. He stepped down as prime minister in 1941 so Stalin could consolidate his power by taking that post along with party leader.

While foreign minister, he negotiated the nonaggression treaty with Germany that cleared the way for the Nazi invasion of Poland and the Soviet Union in 1941.

Mr. Molotov was accused of "joining with Georgi M. Malenkov, 84, who also is living in obscurity, and Lazar M. Kaganovich in trying to overthrow Khrushchev and was stripped of his power in 1960.

He was first given the post of ambassador to Outer Mongolia, considered a punishment in 1960 and 1961, he held the minor job of Soviet representative to the International Atomic Energy Agency in Vienna. He retired in 1962.

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### POP ART

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	145 1/4	144 3/4	145 1/4	+1/8
AT&T	48 1/4	48 1/8	48 1/4	+1/8
GE	34 1/4	34 1/8	34 1/4	+1/8
Merck	54 1/4	54 1/8	54 1/4	+1/8
Boeing	74 1/4	74 1/8	74 1/4	+1/8
Amgen	24 1/4	24 1/8	24 1/4	+1/8
Amgen	24 1/4	24 1/8	24 1/4	+1/8
Amgen	24 1/4	24 1/8	24 1/4	+1/8
Amgen	24 1/4	24 1/8	24 1/4	+1/8
Amgen	24 1/4	24 1/8	24 1/4	+1/8

Market Sales				
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			

NYSE Index				
Composite	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Utilities	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

Wednesday's NYSE Closing				
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			
NYSE 3.4M, volume	131,000,000			
NYSE 3.4M, value	13,100,000,000			

AMEX Diary				
Advantage	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Utilities	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

NASDAQ Index				
Composite	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Utilities	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
IBM	145 1/4	144 3/4	145 1/4	+1/8
AT&T	48 1/4	48 1/8	48 1/4	+1/8
GE	34 1/4	34 1/8	34 1/4	+1/8
Merck	54 1/4	54 1/8	54 1/4	+1/8
Boeing	74 1/4	74 1/8	74 1/4	+1/8

Dow Jones Bond Averages				
Advantage	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
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NYSE Diary				
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Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

Odd-Lot Trading in N.Y.				
Advantage	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
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Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

Standard & Poor's Index				
Advantage	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Utilities	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

Previous NASDAQ Diary				
Advantage	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Industrial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Transportation	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Utilities	1,044 1/4	1,043 3/4	1,044 1/4	+1/8
Financial	1,044 1/4	1,043 3/4	1,044 1/4	+1/8

AMEX Stock Index				
Vol.	High	Low	Last	Chg.
IBM	145 1/4	144 3/4	145 1/4	+1/8
AT&T	48 1/4	48 1/8	48 1/4	+1/8
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Merck	54 1/4	54 1/8	54 1/4	+1/8
Boeing	74 1/4	74 1/8	74 1/4	+1/8

## NYSE Gaining, Trading Active

NEW YORK — The New York Stock Exchange was holding modest gains late Wednesday, a day after the Dow Jones industrial average's first close above 1,900. Trading was active. The Dow was up 2.34 to 1,906.78 at 3 P.M. Advances led declines by an 8-7 ratio an hour before the close.

Volume was about 121.2 million shares, compared with 122.46 million in the same part of Tuesday.

Stocks recovered from an early round of profit-taking and began moving higher at midday. The market was holding modest gains late Wednesday, a day after the Dow Jones industrial average's first close above 1,900. Trading was active. The Dow was up 2.34 to 1,906.78 at 3 P.M. Advances led declines by an 8-7 ratio an hour before the close.

Although most U.S. stock market tables in this edition are from the 4 P.M. close in New York, for time reasons, this article is based on the market at 3 P.M.

Morning. But some analysts cautioned that the new levels make the market even more susceptible to selling.

Monte Gordon, research director at Dreyfus Corp., said the market was behaving more like a financial phenomenon — driven, for instance, by the availability of cash — and less like a reflection of economic reality.

"Somewhere or later the market will look over its shoulder to see what the economy is doing to justify these prices," Mr. Gordon said.

The Dow may slip to 2,000, he said, but with the economy precariously balanced near recession, the higher prices go, the more vulnerable it will be to selling.

Fern Farias of Drexel Burnham Lambert said the market's advance so far this week

### To Our Readers

Because of transmission problems with Agence France-Press, world stock market listings are not available in this edition. We apologize for the inconvenience.

probably would not be sustainable after the holiday. Problem areas for the market include the widening U.S. trade deficit, the impact of the new tax program on corporations and the effect of rising oil prices on depressed economies in the United States and abroad, he said.

Prospects for stock corporate earnings could keep the market drifting for five or six weeks after the holiday, he said, and investors also expect the Federal Reserve Board to cut the discount rate.

"If there is no discount-rate cut, there absolutely will be a sell-off," he continued.

Illinois Power was the most active NYSE-listed issue, off slightly.

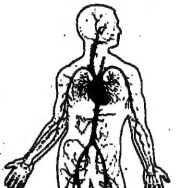
Associated Dry Goods was up a bit. It has rejected both takeover offers from May Department Stores. May is making a 360-a-share hostile takeover offer and has proposed a 360-a-share stock swap.

Union Carbide was gaining. It has been trading since Monday when it said it had completed the \$1.4-billion sale of virtually all its worldwide battery products businesses to Ralston Purina. Ralston Purina was also up.

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# BANKING AND FINANCE IN LUXEMBOURG

A SPECIAL REPORT — PART II

THURSDAY, JULY 3, 1986

Part I Appeared  
in Yesterday's Edition.

Page 9

## Electronic 'Bridge' Between Rivals Aids Euromarket Sales

By Vivian Lewis

LUXEMBOURG — When veteran international bond dealers get together for conventions and seminars, they like to trade stories about the Eurobond market, clearing obstacles. One of the old-timers, Aubrey Rose, in an article for "The City of the Eurobond Market," is how "there was a time in the 1960s when the market nearly died. This was not because the borrowers' need for funds had dried up; rather, the market ran slap into the New York paperwork snafus."

Since the Eurobond market had sunk up as a sort of extension of a New York foreign-dollar market, deliveries of bonds and payment for them — particularly when a borrower was an American firm — also took place in New York. Secondary market operations had to be cleared there.

Not only were all procedures manually in those days before computers, but in the midst of a boom, Wall Street was already suffering from a backroom crisis.

Mr. Rose wrote about how he got down to the vaults of a broker's bank in New York to sort out the Eurobond files of older, peskier, where he was played, only to rub into "a bug-gum-chewing, open-necked, red-sleeved individual with the white battery (of pen) across a shirt looking manila folder on the floor." In it, Mr. Rose found his spate of letters with delivery instructions from London cut into strips.

In the next cubbyhole to Mr. Rose was Wolfgang Krom of Deutsche Bank trying to sort out another set of paper strips. He had already been at it for six weeks. In that time Mr. Rose had managed to turn a claimed \$7-million bit into a \$21-million credit.

**The rise of new instruments and the increasingly global Euromarket, which operates 24 hours a day, have created new settlement problems.**

Mr. Rose spent eight months sorting out the Kider accounts. Although European banks paid on the value date for the bonds, it was often as much as two years before they were credited. In the interval, they and their customers were not paid interest.

It was against this background of a massive paperwork crisis that work was begun on creating an autonomous clearing system for the Euromarkets.

But instead of a single solution, the Euromarkets wound up with two. In December 1968, Euroclear was set up under the aegis of Morgan Guaranty Trust Company in Brussels; the rival Cedel, or Centrale de Livraison de Valeurs Mobilières, was set up in Luxembourg in September 1970.

Since 1980 the two systems have been linked by an electronic "bridge" that enables a buyer from one clearing system to pay and take delivery of bonds from a seller in the other. But a substantial rise in the overall number of bridge transactions and chain transactions, in which the proceeds from one sale trigger another purchase, along with arbitrage, have led to problems with the link, which takes place once a day.

The difficulties are greatest for Cedel, which normally does same-day settlement, while Euroclear's once a day next-day settlement. The delay distorts Cedel value dates, ties up securities unnecessarily, leads to extra borrowing, and sometimes breaks down completely.

This situation Cedel's managing director, Georges Muller, calls "obsolescent," particularly for the non-volatile bond market.

To resolve the difficulty, the two systems have negotiated an outline agreement for multipointing, to exchange files several times during a day, rather than just once. There would have to be a series of agreed-upon deadlines for multiple exchanges between the two networks.

Rivalry between the two Euro-market clearing systems is an old story. Users have tended to benefit from the competition, which has led to cost-cutting fee structures both at Luxembourg's Cedel and at Brussels's Euroclear.

Although there are still hitches, the two systems operate the electronic bridge that enables a bank member of one system to buy or



The European Investment Bank, which handles financing for the European Community.

sell bonds to another bank in the other system.

But the rise of new instruments and the increasingly global Euro-market, which operates 24 hours a day, have created new settlement problems. And new entrants are challenging both Euroclear and Cedel for part of their monopoly in clearing Euro-market paper.

While market participants claim that they benefit from the existence of two systems clearing payment for and delivery of Eurobonds and other instruments, delays in transactions over the electronic bridge already cost money. And banks are not so sure how things will work out where there are five clearers instead of two.

Most large operations on the Euro-markets, in fact, already belong to both Cedel and Euroclear precisely because the bridge is inadequate.

But now they must decide if they want to work through First Chicago, Citibank and Chase in London as well.

For Eurocommercial paper, short-term Eurobonds and Eurocredits of deposit, there are now five alternative clearing centers. Each has its own processing times and its own rules on when instructions must be received; each has its

own rules on whether the short-term paper is physically delivered and its own rules on financing.

And while four of the systems have an electronic bridge, the link is far more cumbersome than that between Cedel and Euroclear. Citibank and Chase are linked to Cedel, which has a bridge to Euroclear. The fourth clearing system, First Chicago's, is isolated.

The reason the Euroclear clearing business has become so fragmented is because American banks that had developed domestic clearing operations for short-term bearers of instruments — certificates of deposit in particular — found it relatively easy and cheap to offer the same service in London, for the Euroclear market. They built on their capacity to act as London depositories and U.S. dollar cash correspondents, linking London, where the paper is created, and New York, where payment is made.

Both processing systems have problems with the relatively short-term instruments they are now trying to handle. Euroclear's system does overnight processing of Euro-bond clearing transactions, for which it now charges no fees. It makes its money by charging per-

sons must be received; each has its own rules on whether the short-term paper is physically delivered and its own rules on financing.

By the same token, the number of foreign banks that during the heydays of the 1970s flocked to Luxembourg to take advantage of its new status as a hub of the Euro-market has also slowed. The flow is still far from a trickle, with one big Japanese bank and two Italian banks at present awaiting approval from the Luxembourg Monetary Institute, but it is also far from being a rush.

Last year six new financial institutions set up in the Grand Duchy, including Prudential Bache, Sun-

amont Bank and France's Banque Nationale Populaire. But there were also three defections by banks, bringing the total number of banks to 118.

On the whole, Luxembourg authorities are quietly satisfied with the way the financial sector has continued to develop during a period when the overall world economic climate has been generally poor.

The last few years have also seen considerable structural changes in the international financial markets, and particularly in the Eurocredit and Eurobond markets that have been crucially important to Luxembourg.

Yet for all these changes, the performance of the financial sector has flourished sufficiently to take up the slack within the Luxembourg economy from such other traditional activities as steelmaking.

The giant Arbed steel company, which at the start of the 1970s accounted for 27 percent of Luxembourg's gross domestic product, has been humbled by years of crisis in the industry, but fortunately for Luxembourg's 365,000 inhabitants the influx of foreign banks has helped compensate for that slide.

Arbed today employs about half

## Financial Sector Buoyant Despite Dip in Economy

By Giles Merritt

LUXEMBOURG — Luxembourg has matured as an international financial center. Gone are the dizzy days when it was the fastest growing of the world's "off-shore" markets. Today, Luxembourg has settled into a much more even rhythm of growth and to a more realistic view of its own role.

"We can't claim to be a really glamorous center," said Mario-Hubert Henry of the Kredietbank Luxembourg, "but Luxembourg does have very sound administrative and fiscal strengths. Although we can't compete with London, for instance, as a creative financing center or as a marketplace, we do offer a first-class environment in which funds can be managed and traded."

If the Luxembourg banking sector's growth is less spectacular than it once was, it is nevertheless impressively solid. Last year saw a real increase in the size of the Luxembourg banks' total balance sheets of 13.4 percent over 1984, although in dollar terms the rise was only 4.1 percent because of the sharp fall in the value of the dollar.

Looked at in the context of the last 20 years, however, the slowdown in Luxembourg's expansion is clear. During the 15 years to 1980, the assets held by banks in Luxembourg grew nearly one hundredfold to \$100 billion. By the end of 1985, they had advanced to \$146 billion.

By the same token, the number of foreign banks that during the heydays of the 1970s flocked to Luxembourg to take advantage of its new status as a hub of the Euro-market has also slowed. The flow is still far from a trickle, with one big Japanese bank and two Italian banks at present awaiting approval from the Luxembourg Monetary Institute, but it is also far from being a rush.

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Jacques Poot

Jacques Santer

the peak work force it once had of 25,000 people and contributes only 11 percent of GDP.

It is not the only casualty in Luxembourg of industrial transformation and restructuring. For industry as a whole now represents only about a quarter of the GDP, as against 43 percent in 1970.

Jacques F. Poot, the treasury minister, reckons that the financial sector "at large, with its ancillary services such as dealers, brokers, lawyers, auditors etc., today employs nearly as many persons as the steel sector or the government, which is to say some 13,000 to 15,000 employees."

He calculated that over the past 15 years the GDP share of the banks and insurance companies in Luxembourg has gone from a modest 4.5 percent to 13 percent, while the financial sector's large surplus on current account has also compensated for the country's structural trade deficit caused by Arbed's slumped exports.

The banks, Monetary Institute experts say, are by far the largest taxpayers and currently account for 15 percent of all the state's tax receipts. With Luxembourg now fighting hard to consolidate its po-

(Continued on Page 12)

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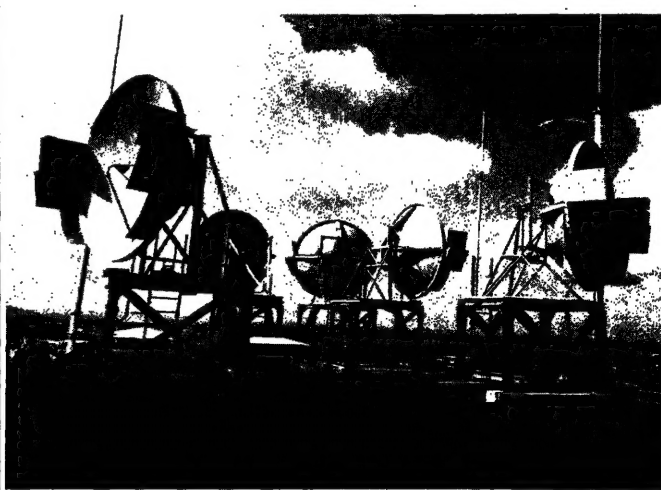
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## Belgium — A Special Partnership

By Giles Merritt

LUXEMBOURG — The unassuming traveler coming to Luxembourg from Belgium might easily miss the frontier. The automobile sweeps past a string of huts and a trailer park, but there is no striped pole or identity check. On back roads there is often no indication at all of any border.

The reason for this laxity, which is not a feature of the Grand Duchy's crossing points into France and West Germany, is that Belgium and Luxembourg have a special relationship.

They are linked together in an economic and monetary union, and that 65-year-old pact is both a source of strength and of friction. For Luxembourg offers Belgian investors an opportunity to avoid Belgian taxes and guarantees them total confidentiality concerning their banking business.

Gallies as that must often have been to Belgian governments down the years, the institutions of the Belgo-Luxembourg Economic Union (BLEU) that dates back to the end of World War I can cut both ways.

In February 1982, the Luxembourg government was outraged by Belgium's sudden and unilateral devaluation of the Belgian franc. For under the terms of the BLEU,

the Luxembourg franc is firmly linked to the Belgian currency, and their monetary union means one-to-one parity and full convertibility. A serious balance-of-payments deficit and consequent speculative raids on the franc had forced Belgium into an 8.5-percent devaluation, and Luxembourg found itself reluctantly obliged to follow suit.

That episode today is forgotten

major advantage for us as we don't have to support our own currency."

The importance of the link, and what succeeds to having a shared currency, goes further than that. It makes it possible for Belgian authorities to accept the ambiguities of having the Luxembourg tax haven on their back doorstep.

Because the Belgian franc deposits in Luxembourg of Belgian resi-

dent because West Germany is both countries' most important trading partner. But there is little in the way of altered economic policies.

Indeed, Luxembourg's interest rates are generally slightly lower than those in Belgium because it permits the market to determine the cost of money, while in Belgium lending rates are set by the National Bank to help achieve the government's economic policy targets.

The commercial relationships within banks themselves are often a good deal more delicate. The major "big three" Belgian banks are also among the biggest banks in Luxembourg, and inevitably there are gray areas concerning their customers' business dealings in Belgium and the activities of those same customers in Luxembourg.

Belgo-Luxembourg monetary system has moved to Switzerland. Luxembourg is, therefore, the lesser of two evils.

The relationship between Belgium and Luxembourg, nevertheless, is much more a monetary marriage of convenience than the true economic union that the BLEU's name suggests. The two countries have a common interest in keeping the franc in line with the Deutsche

**The relationship is much more a monetary marriage of convenience than a true economic union that the BLEU name suggests.**

but not forgotten. Luxembourg lost little time in moving to upgrade into an embryo central bank. The Banking Commission watchdog body that had been designed to supervise the booming financial sector. Should any further serious problems put too great a strain on the BLEU, its specially created Luxembourg Monetary Institute is ready to cut the links and float the Luxembourg franc free of the Belgian franc.

"It would be a purely defensive move," say senior officials at the institute, "brought on only by successive Belgian devaluations. The BLEU link is for the moment a

debt does not amount to a capital outflow. Belgium is prepared to accept the loss in its tax receipts. In other words, the Belgians would much prefer to see those savings funds remain within the Belgo-Luxembourg monetary system than move to Switzerland. Luxembourg is, therefore, the lesser of two evils.

The relationship between Belgium and Luxembourg, nevertheless, is much more a monetary marriage of convenience than the true economic union that the BLEU's name suggests. The two countries have a common interest in keeping the franc in line with the Deutsche

### Geographical breakdown in % of assets

	Resident banks	Non-resident banks
Western Europe	46.6	46.1
Central Europe	3.5	6.6
Latin America and the Caribbean	14	5.1
Middle East	5.1	1.9
Japan, Singapore, Australia, New Zealand, South Africa	12.5	3.1
Other countries	7.8	6.4

Source: Bank for International Settlements and Swiss National Bank

ensures that there is no threat to confidentiality.

However, financial traffic between a client's Belgian account and his Luxembourg one can sometimes tax even the bankers' power of discretion. The tightness of the situation is best illustrated perhaps by the fact that these leading Belgian banks often offer the same in-house investment funds to their customers on both sides of the frontier.

The difference is, of course, that a customer who does to invest in such a fund through a Luxembourg branch of the bank does not pay the 25-percent withholding tax that is automatically levied in Belgium.

What advice Belgian bankers offer their clients in such circumstances is better not to enquire into.

The Belgo-Luxembourg relationship is, however, a close and sympathetic one. The Belgian economy derives considerable indirect advantage from so thriving an international financial center, while the Luxembourg banks are for their part well aware that their tiny country needs to be in partnership with a much larger neighbor.

Whenever the strains and stresses of the Belgian connection seem too much, Luxembourg no doubt recalls the origins of the BLEU. When, in 1919, Luxembourg abandoned the economic treaty that, since 1848 had given it a special relationship with Germany, it turned to France. Then as now, the French showed little interest in the idea of a special relationship with the Grand Duchy.

## For Some Services, Try Liechtenstein

By Vivian Lewis

PARIS — Liechtenstein, like Luxembourg, is a tiny, mountainous country that offers a complete banking system. However, there are differences, and banking there has its advantages and disadvantages.

The country has three banks, all regulated by the Swiss National Bank and covered by a 1964 banking secrecy law. The largest is Bank in Liechtenstein, which is owned by a foundation of the local princely family. The others are the state-owned Liechtensteiner Landesbank, which is part of the cantonal banking system in Switzerland, and Verwaltschaft und Privatbank Ltd., the smallest and a publicly traded company on the Zurich Stock Market.

Banking in Vaduz, the capital of Liechtenstein, offers greater security than in Switzerland. Because the Liechtenstein banks do not have U.S. banking or broking subsidiaries, it is harder for American tax investigators to subpoena bank records as they have done to Swiss banks.

Only Bank in Liechtenstein has a U.S. offshore, called BIL Management Inc., a fund manager located in New York. According to Ronald Kratz of the Vaduz headquarters, U.S. officials "could deliver subpoenas on banking business there, but it would not produce any effect, so they probably won't."

Because Liechtenstein is not a member of the European Community, it is not subject to pressures from regulators in Brussels that some investors worry about. Thus, too, it is the only Continental country with a U.S.-style trust law. This

is useful in creating a heritage for offspring with protection and conditions.

Tax savings are more marginal. Liechtenstein bank accounts do not have to pay 35 percent in taxes on interest and dividends the way Swiss banks do. On the other hand, Liechtenstein has almost no double taxation treaties with other countries. The only exception is one with Austria that covers frontier workers. As a result, investments in the United States, for example, would be subject to a 30-percent withholding tax that the Liechtenstein bank could not recuperate.

The advantage of no double taxation treaties is that there are not any international tax information sharing under "clauses on mutual legal assistance in civil matters," states.

Liechtenstein limited companies and the Anstalt, trust funds, have to pay a tax of one-tenth of 1 percent on the capital value of their holdings and a minimum of 1,000 Swiss francs (\$555). Banks, such as the Bank in Liechtenstein, also charge a management fee of 0.5 percent of the per year on asset value.

While banks do not have any official minimum deposit requirements, in practice one must put up at least 1 million Swiss francs to get discretionary portfolio management in Liechtenstein, which tends to aim at the more affluent.

To set up a trust fund or an Anstalt, Liechtenstein banks provide helpful services. In general, their costs are similar to those in Switzerland, but residents like Mr. Kratz insist that "for your fees and commissions you get better quality, more personal service."

## Tax-Free Banking Services Rapidly Becoming Big Business

By Vivian Lewis

PARIS — The Swiss financial expert — who would lose his job if taxed — was emphatic: "Credit Suisse was derailed in its duty when it failed to warn Ferdinand Maron, whose account they held, that he should move his business elsewhere after new rules were imposed under U.S. pressure two years ago. My country also betrayed Dreyfus's trust in our bank secrecy."

"Not people who have moderate sums of money to bank, watch out! Not earned by fraud, can still go to Switzerland. Otherwise," he added, "they should go elsewhere." He suggested banking in Liechtenstein, Austria or Luxembourg as an alternative to Switzerland for placing money tax-free.

Luxembourg's bank secrecy law is based on a section of the Napoleonic code which originally applied to lawyers. But early in this century, the law was extended to other professions.

"In fact, the Luxembourg bank secrecy law is based on the mid-19th-century 'law,'" said John R. Timmel, who runs Manufacturers Hanover Luxembourg. "The law was that the pauper of childhood would reveal the name of the real father of their babies, but the mid-19th-century was not allowed to talk about that she learned."

But if bankers in Luxembourg like Mr. Timmel are not allowed by law to reveal their clients' names, they are nonetheless anxious to make sure that the money deposited is honestly come by.

Mr. Timmel said: "We don't want Mafia money, dope money, Zedliff money. Nobody in Luxembourg does. Luxembourg banks

are going to be real careful to watch out for money laundering."

Many U.S. banks in Luxembourg, like Manufacturers Hanover, Bank of America, Chase Manhattan, Citibank, apply an additional protection when U.S. citizens try to open accounts. These

**"You have to have tax hells in order to have tax heavens."**

U.S.-owned banks require that customers sign a "waiver letter" that allows the bank to open its records if asked to by the U.S. Internal Revenue Service or the Securities and Exchange Commission.

It is improbable that such waiver letters could be used by bankers to protect their illicit bank secrecy in order to cooperate with U.S. investigators looking for evidence of tax or securities violations, according to Pierre Janss, the head of Luxembourg's Monetary Institute.

In an interview, he said: "American bankers appear to be worried about thinking that a waiver letter lets them off. While there is no jurisdiction on the matter, the banks are likely to be exposed to prosecution for violation of Luxembourg bank secrecy laws."

"Only if the holder of a secret is required to give evidence in a court of law in Luxembourg or outside it, could he petition to be released from this obligation by Luxembourg banking authorities under Luxembourg law. But at most the waiver letter amounts to a promise

by the customer that he will not sue for damages if the banker has testified in court after following these procedures."

While U.S. banks are cautious, fearing a conflict of laws, other banks will simply not accept U.S. customers. The French-owned Banque Paribas Luxembourg is very rigorous and will not open accounts for American nationals or for French.

In fact, according to Mr. Janss, relatively modest deposits for people seeking tax-free banking appear to be the fastest growing business in Luxembourg banking.

"Banks are technically prepared to handle down to 100,000 Deutsche marks in a sophisticated way and to make money doing so. They offer second-tier private clientele a diversified portfolio on a standardized basis," he said. Banks will accept \$50,000 to \$250,000 as a minimum deposit.

Currently, a client might want to use such an account to evade taxes in his homeland, which is the main reason why Luxembourg bank accounts exist.

"You have to have tax hells in order to have tax heavens," said Mr. Timmel. This business attracts clients to Luxembourg from its neighbors: West Germany, Belgium, the Netherlands and France above all.

English speakers are often attracted to the Channel Islands, or the Caribbean for the same business, if only for language reasons. But after the Bahamas subsidiary Bank Law of Switzerland opened to cooperate with U.S. authorities investigating insider trading, in violation of Bahamas' strict bank sec-

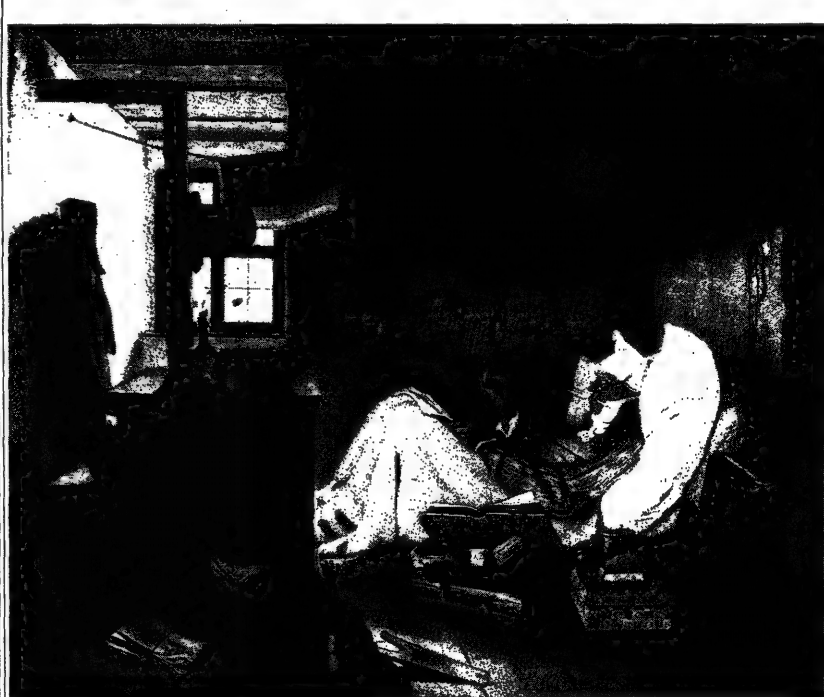
ret laws, some uncertainty has arisen.

Unlike the leading Swiss banks, those from Liechtenstein and Luxembourg (but not Banque Internationale à Luxembourg, which is owned by the same group that con-

trols Dresdler, Burnham, Lambert) have no U.S. offshore subject to subpoenas and pressures.

Under Luxembourg law, tax evasion and insider trading are not crimes, so getting an order from the Banking Commission to lift secrecy

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## A SPECIAL REPORT ON LUXEMBOURG

# New Astra TV Satellite Gets Determined Backing

By Alan Tiller

LUXEMBOURG — The future Astra TV satellite, which will add 16 more channels across Western Europe from next year, was conceived by a Luxembourg banker and now has the full support of major Luxembourg banks and the government itself.

Astra is the latest confirmation of Luxembourg's determination to remain a major force in private broadcasting. This tradition goes back 50 years with Radio Luxembourg, now Compagnie Luxembourgeoise de Télédiffusion (CLT).

CLT's unsuccessful bid for a commercial channel in France — the Luxembourgers accuse the French of breaking an agreement — has not dissuaded the Grand Duchy and a new group of 11 shareholders in backing Astra, which is scheduled to be launched next May by the European rocket Ariane.

This is a \$200-million project. The satellite, ordered from RCA at a cost of \$50 million, will be ready by late 1987.

CLT's bid for a ground station at Chateau de Betzdorf, the former residence of the Grand Duke, Anton, cost \$20 million.

Other \$30 million is to be spent on the launch, between \$10 and \$20 million on insurance and more on the expansion of the year-old, Luxembourg-based Société Européenne des Satellites (SES).

There is enormous confidence in the project. When CLT's long road with the French government ended in fiasco, the Luxembourgers turned to the American promoter Phil Whitfield. But that project fell through on two accounts. The



Model shows chateau as a future satellite ground station.

French charged that Mr. Whitfield's Coronet satellite would mean "Coca-Cola culture" while the Luxembourg government decided that its financial contribution did not match his requested share of the project.

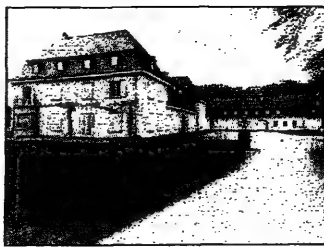
A year ago SES was set up with the backing of the Luxembourg prime minister, Jacques Santer, and the president of the bank, Corneille Bruck, of the Caisse d'Epargne de l'Etat.

The other partners of the Caisse d'Epargne de l'Etat are Banque Générale du Luxembourg, Banque Internationale à Luxembourg, Compagnie Luxembourgeoise de la Dreder Bank AG-Dresdner Bank International, Deutsche Bank Compagnie Financière Luxembourg, Electrafin, a holding of

the Société Générale de Belgique, Kinnevik International AB, a Swedish industrial consortium interested in having two channels on the satellite for Scandinavian audiences, Kiribati A.S. of Denmark, the Lago toy group, Natinvest of Luxembourg, RITA, Realisations et Investissements en Technologies Avancées and SNCI, the Luxembourg national investment bank.

SES is stressing that there are now no U.S. links. Paul Zimmer, an aide to the prime minister, said: "When the government put forward its new satellite proposal in December 1984, the idea was to find a strong European group with individual members limited to 10 percent, or half a million dollars. The investors that came forward were not media companies, but German banks and others ready to invest in hardware."

Because of this strong initial support, SES was founded three months later. Capital was raised to one billion Luxembourg francs (\$2 million) and is now being doubled. SES said it expects to announce new shareholders — British, French and Spanish — in the next few weeks.



The Chateau de Betzdorf before the start of renovation.

SES says its \$5-million-a-year fee for programmers will be half that of the French TDF's, its main rival. It adds that the composition of clients will be clearer in six weeks. The first commitment is from the Scandinavian group ScanSat, which wants two channels. Two other interested parties are described as non-European, non-American.

Most channels will be devoted to popular entertainment, but there will also be "thematic" ones, including some devoted to business. Two channels will be pay TV; the others will be supported by advertising.

However, it should be noted that only RAI, the Italian state broadcasting organization, makes money from satellite TV. The Luxembourg government and SES also have to prove to Eutelsat, the Paris-based, 26-nation telecommunications organization, that Astra will not hurt that body's TV distribution.

Luxembourg believes that government backing plus pressure from manufacturers of receiving equipment, the electronics industry and the programmers will help Astra off the ground.

## Financial Sector Still Buoyant

(Continued from Page 9)

sition as an international financial center, the accent is increasingly on cuts to ease the bank's tax burden and make the Grand Duchy more attractive.

Due to some rigorous financial handiwork by the government and to Arbo's improved financial performance, Luxembourg is currently showing a 10-percent surplus on its state budget. It is not clear how much of this surplus of 6 billion Luxembourg francs will be mopped up by the tax breaks being prepared, but it is plain that Luxembourg intends to reinforce its competitive position vis-à-vis both private and institutional investors with a number of new tax breaks.

Jacques Santer, 49, the president of the Luxembourg government, whose role is equivalent to that of prime minister, has indicated that the present 40-percent corporation tax should be lightened, as should such items as the subscription tax on bonds and the stamp duties.

Luxembourg has already introduced a variety of small tax changes to favor, among other nonresident, local subsidiaries of foreign corporations and temporary resident personnel. It is hoped that the forthcoming new financial measures will help tempt to Luxembourg such business as bond issues that at present are being made in rival centers like the Netherlands Antilles or the Cayman Islands.

The final shape of the tax package should be revealed by August, and it is expected that it will then be approved by the parliament before the end of the year, in time for application in 1987.

The Luxembourg financial sector, meanwhile, is already reaping the benefits of the earlier 1983 tax reforms that established a tax-free status for mutual funds. The growth in the number of mutual funds based in Luxembourg has been a striking feature of late, with 213 funds now operating out of the Grand Duchy and 40 or more on their way.

The value of the newly arrived mutual funds is put at about 600 billion Luxembourg francs (\$13 billion) by the Monetary Institute. "Intellectually it can't really be called new business," commented Marc-Hubert Henry of Kredietbank, "because the management of the funds is performed elsewhere. But the domiciliation of these funds is here, and their administration by Luxembourg banks now amounts to some very useful new business."

The shift that has most marked Luxembourg, though, is not the boom in mutual funds or the government's enthusiasm for more liberal tax conditions. It is the trend away from traditional syndicated Eurobonds of the sort that Luxembourg has thrived on to a new generation of financing instruments. Too much liquidity among the banks and not enough first-class sovereign or corporate borrowers

has squeezed margins and brought about the introduction of clever, negotiable facilities known variously as standby credits or facilities.

Much as some Luxembourg-based bankers may deplore, the note issuance facilities (nifs), and revolving underlying facilities (ruls) that are an increasingly common form of financing, they have gone from representing about a quarter of all Eurocredit business in Luxembourg during 1984 to about half of last year's \$109 billion-worth of Eurocredits.

U.S. bankers pioneered these standby credits, in which a bank often undertakes to purchase a client's commercial paper, in the form of Eurocredits with revolving maturities of less than a year should the markets fail to take it up. European banks, and notably the 29 West German banks that account for 43 percent of the financial assets held in Luxembourg, find that degree of risk together with the higher rates involved in such loans frankly unattractive.

One addition," said Helmut Gross of Dresdner Bank, "is the private customer." Luxembourg-based banks are, therefore, intensifying their efforts to attract portfolio management business. As a result, Luxembourg is shedding the slightly transient and ephemeral nature that has counted for its mushroom development as a Eurobond center and is instead showing signs of a more mature and permanent banking community.

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## Electronic 'Bridge' Aids Sales

(Continued from Page 9)

an edge on its rival. While the U.S. banks had experience with Eurobonds and Eurocommercial paper and a London base where Cede had been weak, Cede was able to counter its far-larger client list.

Cede can, with a separate facility, do same-day issuing and settlement. But it is troubled by the institution of market operators for making physical delivery of Euro-CPs, as if they were bonds — a practice that is more developed in

Europe than in the United States. Because of this, Eurobonds are the larger of the two European entrants. Operating out of modern headquarters near the medieval Saltsburg Chateau, Cede has 1985 securities worth \$1,457 billion (a 43-percent jump) and held securities worth \$274 billion (a 50-percent rise). Cede's business, after rebates to users, the clearing company earned profits of \$9.55 million, compared to \$7.68 million in 1984.

At the edge of the Luxembourg City financial district, in a handsome turn-of-the-century town house that has been magnificently restored, Cede has its headquarters. Next to the town house is an ultramodern computer center where the real processing work is done.

Cede's turnover in 1985 topped \$762 billion (up 47 percent) and it held securities worth \$1.04 billion (a 50-percent rise). On this business it earned profits of \$2.7 million, up 41 percent.

Both systems have seen business grow even more sharply in the first quarter of this year. From an average in 1985 of 11,000 transactions per day, Cede has moved to 15,000-plus on average in the first four months of 1986, on some days topping 20,000 trades. Bond-clearing activity by Cede doubled in the first quarter of 1986 from levels at the end of 1985 with \$250 million average daily bonds outstanding.

At Euroclear the trend is similar. In the first four months turnover was up 67 percent from 1985 to \$678 billion. The daily average number of trades rose to more than 22,000.

Morgan Guaranty tried to overcome its handicap by selling off stock in what had been its Euroclear subsidiary in 1972. But even now it is Morgan Guaranty that provides financing to those who ask for it from Euroclear.

The latest battle between the two Euroclear clearing groups concerns equities. It was with great fanfare that in April, Euroclear announced that it was extending its clearing and custodial services to cover internationally traded shares. About 100 issues, from Belgium, Germany, Sweden, Switzerland and the Netherlands that are normally traded outside their home country can be traded through the system, which also will handle other shares that are deposited in advance.

The Italian clearing system prevents Euroclear from offering to handle Italian equity clearing at this time.

Cede has been doing equity clearing for years but hasn't made much noise about it. The equity clearing system it runs already automatically handles over 500 stocks, identified by code numbers, the result of cooperative arrangements with European stock depositaries. The first dates back to a 1972 link with Deutscher Auslandsbankverein, which gives users access to any German domestic security.

Similar broad deals were made subsequently with Kar Asssociatie of The Netherlands, and indirectly, with the Ncigec central depositary, which covers all Dutch domestic securities, although they cannot be settled on a delivery-versus-payment basis and must be deposited with Cede in advance.

Cede also can handle Swiss stocks through its link with the Swiss depositary, SEGA, run by Union Bank of Switzerland.

Finally last year Cede opened a pilot project to link up to the French Sicoval depositary system initially with three stocks. Because the French have demonstrated stock certificates so they are only book entries, there are special provisions here.

As Cede's managing director, Georges Muller, explained, "I am well aware of the problems of settling securities in Italy. I can give you no information about a possible Cede-Italy link but we are examining the market closely."

### CONTRIBUTORS

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# Firms to Bid Jointly for Fighter Contract

**The Associated Press**  
**LOS ANGELES**—Three major aerospace and military contractors have announced they would join in an effort to win a \$400-million Air Force contract for a new tactical fighter.

The companies — General Dynamics Corp., Lockheed Corp. and Boeing Co. — said Tuesday the joint venture would cover the design, manufacture and testing of the aircraft.

Each of the three companies in the agreement will submit independent competitive proposals, as will the other four contractors.

## UTA of France Orders 2 Long-Range Boeings

**PARIS** — Union de Transports Aériens, the French airline, said Wednesday that it was ordering two advanced Boeing 747-400 jumbo jets that will have a range of 8,000 miles (13,000 kilometers) and permit it to fly such routes as Paris-Singapore nonstop.

# MARKET: For Wall Street, the 2d Quarter Offered More of the Same

(Continued from first business page)  
 Among the top gainers if it had traded the full quarter, the stock of Pharmacia Inc., based in Kalamazoo, Mich., rose 18.4 percent to \$18.75, up from \$16.00 at the start of the quarter.

Among other big gainers in the cable-television-shopping sector was COMB Co., which rose 27.6 percent during the quarter. After a stock split on Monday, it closed at \$34 a share in over-the-counter trading.

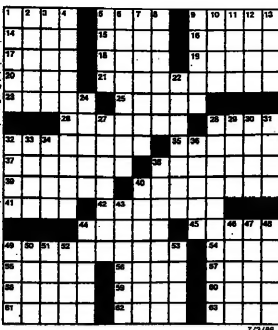
Oil and gas companies, drilling concerns and mining operations continued to be among the biggest losers. And as late as the quarter, the Korea run into problems because of cost cutting in the airlines industry. The stock of Inflight Services, which supplies films to the airlines, dropped 5.1 percent to \$2.875, on the American Stock Exchange.

**Orders Up for Korean Ships**  
**SEOUL** — Orders placed with South Korean shipyards more than doubled, to 67,500 gross tons in the first five months of 1986, from 29,000 a year earlier because of a rise in domestic orders, the Korea Shipowners' Association said Wednesday.

## Wednesday's OTC Prices

MASSDAQ prices as of 3 p.m. New York time. Via The Associated Press

Stock	Chg.	Vol.	High	Low	3 P.M.	Chg.	Vol.	High	Low	3 P.M.
AA	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AB	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AC	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AD	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AE	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AF	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AG	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AH	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AI	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AJ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AK	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AL	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AM	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AN	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AO	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AP	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AQ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AR	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AS	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AT	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AV	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AW	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AX	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AY	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
AZ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BA	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BB	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BC	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BD	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BE	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BF	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BG	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BH	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BI	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BJ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BK	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BL	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BM	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BN	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BO	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BP	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BQ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BR	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BS	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BT	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BV	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BW	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BX	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BY	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
BZ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CA	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CB	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CC	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CD	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CE	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CF	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CG	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CH	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CI	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CJ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CK	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CL	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CM	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CN	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CO	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CP	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CQ	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CR	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CS	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CT	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CV	+	100	1.10	1.05	1.08	+	100	1.10	1.05	1.08
CW	+	100	1.10	1.05	1.08					



- ACROSS**
- 1 Dogie
  - 2 Soccer great
  - 3 Large structure for
  - 4 Concrete
  - 5 Hatches
  - 6 He has the life!
  - 7 "Artisan" composer
  - 8 Chi
  - 9 Attachments
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  - 11 Glassy
  - 12 Mineral
  - 13 Barbecue results
  - 14 Property
  - 15 Tree or nut
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  - 17 "Of Fire"
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  - 20 Chalk
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  - 22 With
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  - 9 Possessions
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## DENNIS THE MENACE



## JUMBLE

Unscramble these four Jumbles to form four ordinary words.

ECOLY

PLUUP

HUCHAN

YAHMME

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: \_\_\_\_\_

(Answers tomorrow)

Yesterday's Jumble: PLAD MOUSE INNS SAVORY

Answer: What an optimistic—A MAN OF VISION

## WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	84	68	Beijing	84	68
Athens	84	68	Bombay	84	68
Bombay	84	68	Buenos Aires	84	68
Buenos Aires	84	68	Calcutta	84	68
Calcutta	84	68	Cairo	84	68
Cairo	84	68	Chennai	84	68
Chennai	84	68	Columbo	84	68
Columbo	84	68	Dakar	84	68
Dakar	84	68	Dhaka	84	68
Dhaka	84	68	Delhi	84	68
Delhi	84	68	Detroit	84	68
Detroit	84	68	Guangzhou	84	68
Guangzhou	84	68	Hankow	84	68
Hankow	84	68	Hong Kong	84	68
Hong Kong	84	68	Hyderabad	84	68
Hyderabad	84	68	Jaipur	84	68
Jaipur	84	68	Kolkata	84	68
Kolkata	84	68	London	84	68
London	84	68	Los Angeles	84	68
Los Angeles	84	68	Manila	84	68
Manila	84	68	Mumbai	84	68
Mumbai	84	68	New Delhi	84	68
New Delhi	84	68	Osaka	84	68
Osaka	84	68	Paris	84	68
Paris	84	68	Rangoon	84	68
Rangoon	84	68	San Francisco	84	68
San Francisco	84	68	Singapore	84	68
Singapore	84	68	Taipei	84	68
Taipei	84	68	Tokyo	84	68
Tokyo	84	68	Yokohama	84	68
Yokohama	84	68			

## PEANUTS



## BLONDIE



## BEETLE BAILEY



## ANDY CAPP



## WIZARD OF ID



## REX MORGAN



## GARFIELD



## BOOKS

## HALF THE WAY HOME: A Memoir of Father and Son.

By Adam Hochschild. 198 pages. \$15.95. Viking Inc., 40 West 23d Street, New York, N.Y. 10010.

Reviewed by Michiko Kakutani

TO the world, Harold Hochschild was not only an enormously successful businessman (the head of Amstar Inc., one of the largest mining concerns in the world) but also the consummate gentleman—charming, generous and fluent in the worlds of business, politics and the arts.

To his son, Adam, however, Hochschild seemed a fearsome presence—a judgmental patriarch, the dread of whose disapproval hung dutifully over his entire childhood; and as he recounts in this memoir, he would spend his entire life trying to come to terms with him.

By turns nostalgic and regretful, lyrical and melancholy, "Half the Way Home" creates a deeply felt portrait of a man and a boy, and the "brotherly" relationship of "Dedication" and Frank Conroy's "Stop-Time." It also provides an extraordinarily moving portrait of the complexities and confusions of familial love. While it probes the reader into memories of his own experiences in that eternal, summertime world of childhood and adolescence, the book also remains firmly grounded in the historical detail of a particular time and place.

Certainly the world that Adam Hochschild grew up in was a rarefied and luxurious one. In Manhattan, family members saw the city through the windows of a penthouse and a limousine; at Eagle Nest, their retreat in the Adirondacks, they defined their days through meticulously scheduled bouts of horse riding, water skiing and dining.

If Adam's father was skilled at making his way about the world, however, he was ill-equipped to deal with emotional matters at home. Decorous, self-conscious and almost willfully formal, he loathed displays of spontaneous affection, was embarrassed by birthday presents and celebrations and almost incapable of articulating his feelings. And clearly something of this uneasiness infected his relationship with his only child. "There was always a stiffness in the air between us," Adam writes, "as if we were both guests at a party and the host had gone off somewhere before introducing us." Efforts, on Adam's part, to appeal a

paternal effect were met with chilly dismissal. A copy of his journal, sent as a letter, elicited errors of grammar and style.

In fact, when it came to communicating with his son, Hochschild seems to have tried to use the same methods he used with teachers, his business dealings—that is, he was methodical. He organized his thoughts, not up to his ears in emotion, and he tried to make his feelings as clear as possible in each letter. He organized his thoughts, not up to his ears in emotion, and he tried to make his feelings as clear as possible in each letter.

Sometimes this Adam would become so tense that young Adam would experience a kind of nauseous dread; his greatest terror was that his mother—his protector, confidante and intermediary with the world—would tell the tale of his father's behavior. In fact, it was the only way to withstand his father's behavior, in part, because the dominant theme of his father's behavior was his father's behavior.

As he is the first to point out, Adam spends the better part of his early adulthood trying to separate himself from his father and his way of life. After a year in South Africa, Adam returns to the United States, he becomes increasingly active politically. He joins the civil-rights movement, he demonstrates against the Vietnam War, he gets a job as a reporter for Ramparts magazine and then, in 1964, he goes to California, and he finds "life's course fell less a deal—I will not be the crown prince of Eagle Nest—more an enigma."

And while Adam's father continued to think him—sending him letters filled with suggestions about everything from work to marriage—he, too, begins to mellow as the years go by. He begins exchanging jokes with his son, visits him and his family in California, and even hands out gift subscriptions to Mother Jones as an unspoken gesture that he approves; perhaps even takes pride, in his son's vocation. There are no tearful reconciliations between father and son—just as there were never any declarations of overt hostility—but by the time Harold Hochschild has dying bed, Adam has been able to begin to understand that his father's disaffection was actually cloak an underlying desire to reach out, that his aloofness was less a choice than a product of a problematic and unexpressed relationship with his own father.

Michiko Kakutani is on the staff of The New York Times.

## BRIDGE

By Alan Truscott

ON the diagrammed deal both North-South pairs reached the normal contract of three no-trump, and the leading lady of the club queen was won with dummy's king. Both declarers led the diamond ten at the second trick.

NORTH (3)		EAST	
♠	A 10 9 8 7 6 5 4	♠	K J 10 9 8 7 6 5 4
♥	A 10 9 8 7 6 5 4	♥	K J 10 9 8 7 6 5 4
♦	A 10 9 8 7 6 5 4	♦	K J 10 9 8 7 6 5 4
♣	A 10 9 8 7 6 5 4	♣	K J 10 9 8 7 6 5 4

In one case East, covered with the king, prepared to apologize if his partner failed to singleton honor. South won with the ace and led a low heart. West ducked, and when dummy's jack won, South led a low diamond to his eight.

West's club discard was good news and bad news, for although the eight won, another entry to the dummy was needed to repeat the diamond finesse.

The declarer did not have to work so hard in the replay, for East did not choose to cover

the diamond ten at the second trick. The result was a small

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